

Message Text

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16

ACTION EUR-12

INFO OCT-01 IO-11 ISO-00 SAJ-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

FEA-01 PA-01 PRS-01 /106 W

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R 171320Z FEB 76

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 5293

INFO AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

AMCONSUL MUNICH

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

USDEL MTN GENEVA

USMISSION NATO

C O N F I D E N T I A L SECTION 1 OF 2 BUDAPEST 0510

E.O. 11652: GDS

TAGS: EALR, ENRG, HU, UR

SUBJ: FUTURE HUNGARIAN ENERGY PRODUCTION AND IMPORTS

REF: BUDAPEST 0424, 75 BUDAPEST 4115, 75 BUDAPEST 4048,
75 BUDAPEST 3464, 75 BUDAPEST A-108

1. SUMMARY: IN LATE 1975, HUNGARIAN DEPUTY MINISTER OF
HEAVY INDUSTRY SZILI WROTE THAT THE COUNTRY'S TOTAL
ENERGY REQUIREMENTS WOULD INCREASE MORE THAN 23 PERCENT BY 1980,
AN ANNUAL COMPOUND RATE OF 4.3 PERCENT. ALTHOUGH HUNGARY IS
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FREQUENTLY CALLED POOR IN RAW MATERIAL RESOURCES IT DOES

PRODUCE 54 PERCENT OF ITS ENERGY REQUIREMENTS. THIS FIGURE WILL DECLINE TO ABOUT 42 PERCENT IN 1980. THE SOVIET UNION CURRENTLY PROVIDES 40 PERCENT OF HUNGARY'S NEEDS, AND THIS FIGURE IS EXPECTED TO GROW TO 47 PERCENT BY THE END OF THE DECADE. THE INCREASED SOVIET SUPPLIES WILL COME FROM CRUDE OIL AND CRUDE PRODUCTS, ELECTRICITY AND, PRIMARILY, FROM NATURAL GAS. DOMESTIC AND IMPORTED NATURAL GAS WILL SUPPLY 25 PERCENT OF HUNGARY'S ENERGY REQUIREMENTS BY 1980. THE USSR WILL CONTINUE TO PROVIDE THE BULK OF HUNGARY'S CRUDE IMPORTS, BUT BY 1978-79 THE ECONOMICS OF IMPORTING MIDDLE EAST CRUDE WILL BECOME MUCH MORE ATTRACTIVE DUE TO PLANNED COMPLETION OF ADRIATIC PIPELINE. HUNGARY CURRENTLY IMPORTS 6 PERCENT OF ITS TOTAL ENERGY REQUIREMENTS FROM SOURCES OTHER THAN THE USSR, AND INTENDS TO INCREASE THE SHARE TO 11 PERCENT BY 1980. MOST OF THE INCREASE WILL PROBABLY BE CRUDE SHIPPED THROUGH THE ADRIATIC PIPELINE.

END SUMMARY

2. GENERAL

A. HUNGARY'S ENERGY REQUIREMENTS WILL INCREASE AT AN ABOVE-AVERAGE RATE OF 6 PERCENT IN 1976, AND 46 PERCENT OF THE TOTAL WILL HAVE TO BE IMPORTED. BY 1980 HUNGARY WILL IMPORT 56-58 PERCENT OF ITS ENERGY NEEDS. THE SOVIET UNION WILL INCREASE ITS EXPORTS OF ENERGY AND ENERGY SUPPLIES TO HUNGARY BY 60 PERCENT, AND BY 1980 SHOULD PROVIDE 47 PERCENT OF HUNGARY'S TOTAL REQUIREMENTS (UP FROM 40 PERCENT IN 1975). HYDROCARBONS WILL PROVIDE A HIGHER PROPORTION OF ENERGY, UP FROM 57 PERCENT IN 1975 TO 64-66 PERCENT IN 1980.

B. IMPORTS OF ENERGY AND ENERGY SUPPLIES

	1974	1975		
	(11 MONTHS)			
	MILLIONS	MILLIONS		
	FORINTS	PERCENT	FORINTS	PERCENT
FROM SOCIALIST COUNTRIES (INCLUDES YUGOSLAVIA AND ALBANIA)	3093	81.4	5426	82.5
FROM NON-CONFIDENTIAL				

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SOCIALIST

COUNTRIES	704	18.6	1153	17.5
	3797	100.0	6579	100.0

HUNGARY'S ENERGY IMPORT BILL IS RUNNING AT AN ANNUAL RATE, ABOUT 80 PERCENT HIGHER IN 1975.

3. ELECTRICITY AND ATOMIC ENERGY

A. HUNGARY'S FIRST ATOMIC POWER PLANT, CONSISTING

INITIALLY OF TWO 440 MW UNITS, IS DUE TO START UP IN 1980, AND TOTAL CAPACITY SHOULD INCREASE TO 1760 MW BY 1984. THE USSR WILL SUPPLY 80 PERCENT OF THE BASIC STRUCTURE AND ENGINEERING, AND 70 PERCENT OF THE RELATED EQUIPMENT; HUNGARIANS WILL PROVIDE THE BALANCE.

B. ELECTRICAL ENERGY PRODUCTION IS SCHEDULED TO INCREASE 8 PERCENT DURING 1976 AND TO RISE 7 PERCENT ANNUALLY DURING THE FIFTH FIVE-YEAR PLAN.

C. ELECTRICAL ENERGY: ESTIMATES

BILLIONS OF KILOWATT HOURS

	1975	1980
PRODUCTION	20.3	27.5
IMPORTS (USSR) &	4.2	7.5
CONSUMPTION	24.5	35.0

& IMPORTS FROM OTHER SOURCES NOT KNOWN, BUT PROBABLY INSIGNIFICANT.

MOST OF THE INCREASED SOVIET SUPPLIES WILL COME FROM THE CEMA POWER GRID, DUE TO PROVIDE AN ADDITIONAL 750 KILOVOLTS TO HUNGARY WHEN IT BEGINS SERVICE IN 1978.

4. COAL

A. HUNGARIAN COAL PRODUCTION WILL SHOW A SLIGHT DROP IN 1975. TOTAL OUTPUT OF ANTHRACITE, BROWN COAL AND LIGNITE WAS 25.8 MILLION TONS IN 1974, ABOUT 24.6 MILLION TONS IN 1975, AND WILL PROBABLY NOT TOTAL MORE THAN 25 MILLION TONS IN 1980. MAJOR INVESTMENTS ARE UNDERWAY, HOWEVER, TO INCREASE PRODUCTION TO 36-37 MILLION TONS BY 1990.

B. HUNGARY IMPORTED 1.4 MILLION TONS OF ANTHRACITE IN 1974; 1975 FIGURE WILL BE NEARLY IDENTICAL. IN 1974 CZECHOSLOVAKIA PROVIDED 41 PERCENT, POLAND ABOUT 39 PERCENT AND THE SOVIET UNION THE REMAINDER. IN ADDITION, EAST GERMANY SHIPPED OVER HALF A MILLION TONS OF COAL

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BRICK TO HUNGARY.

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C O N F I D E N T I A L SECTION 2 OF 2 BUDAPEST 0510

5. PETROLEUM

A. MANY APPARENTLY CONFLICTING ARTICLES HAVE APPEARED CONCERNING HUNGARY'S CRUDE IMPORTS DURING THE FIFTH FIVE-YEAR PLAN. THE FOLLOWING TABLE REPRESENTS EMBASSY'S BEST ESTIMATES AFTER CHECKING WITH NEWSPAPER WRITERS AND GOVERNMENT OFFICIALS; IT REFLECTS SOME UPDATING AND REFINING OF PREVIOUS REPORTING.

B. CRUDE OIL: ESTIMATES

MILLIONS OF TONS

1974 1975 1976 1980

DOMESTIC PRODUCTION 2.00 2.0 2.1 2.1

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IMPORTS FROM USSR FOR (RUBLES) 6.13 6.0 6.5 7.5

OTHER IMPORTS FROM USSR & 0 1.5 ? ?

IMPORTS FROM IRAQ .58 .7 ? ?

2.5# 5#

ALBANIA, UAR .11 0 ? ?

OTHER 0 0 ? ?

8.82 10.2 11.1 14.6

& PURCHASES FOR CONVERTIBLE CURRENCY

TOTAL FROM LAST FOUR CATEGORIES; BREAKDOWN NOT AVAILABLE

C. ABOVE TALLIES WITH FREQUENT HUNGARIAN GOVERNMENT STATEMENTS THAT USSR SUPPLIES OVER 90 PERCENT OF HUNGARY'S PETROLEUM IMPORTS, AND IT ALSO REFLECTS COMMONLY-HELD OPINION THAT HUNGARY WILL SEEK MORE OIL FROM MIDDLE EAST SUPPLIERS. SO FAR MAGYARS HAVE NOT OBTAINED, AND AS FAR AS EMBASSY AWARE HAVE NOT SOUGHT, ADDITIONAL MIDDLE EAST CRUDE. IN FACT HUNGARY'S IMPORTS IN 1975 OF ALL PRODUCTS (BREAKDOWN NOT YET AVAILABLE) FROM KUWAIT AND LIBYA ARE NIL, AND ARE DOWN SIGNIFICANTLY FROM UAR, WHICH SHIPPED SOME CRUDE IN 1974. HUNGARY IMPORTED NO OIL FROM OTHER MIDDLE EAST STATES IN 1974, AND INSIGNIFICANT VALUE OF TOTAL 1975 IMPORTS FROM THESE COUNTRIES HAS DECLINED, WITH EXCEPTION OF IRAQ, HUNGARY'S TRADITIONAL CRUDE SUPPLIER. IN 1975 HUNGARY DID PROVIDE, HOWEVER, \$30 MILLION LOAN FOR CONSTRUCTION OF ADRIATIC PIPELINE. FIVE MILLION TONS OF PLANNED ANNUAL 20 MILLION TON CAPACITY OF THIS PIPELINE IN 1978 IS SLATED FOR HUNGARY. (TOTAL CAPACITY IS DUE TO RISE EVENTUALLY TO 34 MILLION TONS.) SOME OF THIS 5 MILLION TONS COULD CONCEIVABLY BE CRUDE USSR HAS PURCHASED ELSEWHERE (75 BUDAPEST 4048); IT IS MORE LIKELY THAT HUNGARY PLANS TO USE THE PIPELINE FOR MIDDLE EAST OIL, WHICH PRESENTLY HAS VERY HIGH DELIVERY COSTS (BUDAPEST 0424).

D. THE HUNGARIANS OFFICIALLY ESTIMATE THAT TOTAL CRUDE IMPORTS WILL ONLY BE 10 MILLION TONS IN 1980, WITH THE USSR SUPPLYING 7.5 MILLION TONS. PERHAPS ONE-HALF OF THE ADDITIONAL CAPACITY TO BE PROVIDED BY THE ADRIATIC PIPELINE WILL NOT BE UTILIZED. IT SEEMS MORE LIKELY, HOWEVER, THAT CRUDE DEMAND WILL OUTSTRIP HOPEFUL MAGYAR ESTIMATES.

E. HUNGARIAN IMPORTS OF PETROLEUM PRODUCTS FROM USSR ARE EXPECTED TO RISE FROM 650,000 TONS IN 1975 TO
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1,650,000 TONS BY 1980.

6. NATURAL GAS

A. WHILE HUNGARY IS IN GENERAL POOR IN NATURAL RESOURCES, ITS STEADY CRUDE OUTPUT AND RELATIVELY HIGH PRODUCTION OF NATURAL GAS HALP TO OFFSET ITS RELIANCE ON FOREIGN SUPPLIERS FOR OTHER MATERIALS. BY 1980 25 PERCENT OF THE COUNTRY'S TOTAL ENERGY NEEDS WILL BE SUPPLIED BY NATURAL GAS.

B. NATURAL GAS: ESTIMATES

BILLIONS OF CUBIC METERS

	1974	1975	1976	1980
DOMESTIC PRODUCTION			5.1	5.1 5.2 6.0
IMPORTS: USSR		0	.6	1.0 3.8
ROMANIA		.2	.2	.2 .2

TOTAL 5.3 5.9 6.4 10.0

C. THE NEWLY-BUILT "TRATERNITY" PIPELINE WILL PROVIDE ONE BILLION CUBIC METERS ANNUALLY FROM THE SOVIET UNION BEGINNING IN 1976. THE ORENBURG PIPELINE WILL SUPPLY 2.8 BILLION CUBIC METERS ANNUALLY, HOPEFULLY STARTING BY 1979.

7. CONCLUSION

A. HUNGARY IS RESOURCE-POOR. ASIDE FROM ITS ENERGY NEEDS, IT MUST IMPORT 85-90 PERCENT OF ITS IRON ORE, 80 PERCENT OF ITS PHOSPHATE, 77 PERCENT OF ITS CELLULOSE, AND TWO-THIRDS OF ITS FOUNDRY COKE. ITS POSITION AS AN EXPORTER OF ALUMINUM, TIN AND AGRICULTURAL PRODUCTS HELPS TO OFFSET SOMEWHAT THESE DISADVANTAGES. NEVERTHELESS, A KEY QUESTION IS HUNGARY'S EXTENT OF DEPENDENCE ON THE USSR AND OTHERS FOR ITS ENERGY SUPPLIES. IN AN INTERVIEW IN BUDAPEST FEBRUARY 10, OLEGTIMOFY EVICH BOGOMOLOV, DIRECTOR OF THE SOVIET INSTITUTE OF ECONOMY OF THE WORLD SOCIALIST SYSTEM, NOTED THAT THE SOVIET UNION HAD MET THE BULK OF HUNGARY'S RAW MATERIAL NEEDS, AND WOULD CONTINUE TO DO SO; THE USSR, HE ADDED, HAD DOUBLED ITS OUTPUT OF FUEL AND RAW MATERIALS, WHILE INCREASING ITS EXPORTS OF THESE PRODUCTS TO CEMA COUNTRIES SIX TIMES DURING THE PAST 15 YEARS. BOGOMOLOV SAID THAT THIS RATE WAS UNTENABLE, AND THAT THE RATE OF GROWTH OF SOVIET RAW MATERIAL EXPORTS WILL DECLINE (FBIS LONDON 110030Z FEB 76).
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B. THE ADRIATIC PIPELINE WILL GIVE HUNGARY THE OPTION TO OBTAIN A MUCH HIGHER PERCENTAGE OF ITS CRUDE OIL FROM THE MIDDLE EAST IF NECESSARY. IT IS UNCERTAIN, HOWEVER, HOW MUCH FREEDOM HUNGARY WILL HAVE TO CHOOSE ITS OIL SUPPLIERS AT THE END OF THE DECADE, AND HOW MUCH CIRCUMSTANCES AND PREVIOUS COMMITMENTS WILL RESTRICT MAGYAR MANEUVERABILITY.
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